

## REMARKS

Examiner has rejected claim 1 under § 103 (a) as being unpatentable over the Iwahashi paper and the '434 reference. Applicants believe that claim 1 as amended is patentable. In the applicants' invention as amended, three levels of encoding are used whereas the Iwahashi paper teaches only one level. The applicants' invention requires that the three encoding levels are fixed and are described as filters  $H_0$ ,  $H_1$  and  $H_2$ . The coefficients of these filters are exemplified in Figures 9A, 9B, 10A, 10B, 11A and 11B. These important coefficients clearly distinguish the applicants' invention from the combination of prior art relied upon in the Office Action.

Filters in the Iwahashi et al. may be of different size, whereas Applicants' filters are predefined.

In the Applicants' invention, frequency coefficients are sorted after every level of encoding. The coefficients are sorted in descending order and after that some of them which are smaller than a predefined threshold are quantized, the coefficient higher than the threshold are kept without quantization. Coefficient sorting is executed using G Filters. Threshold is predefined according to the required bit rate. The prior art reference of Iwahashi does not describe any quantizing scheme.

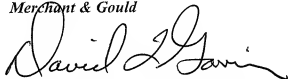
As a result, the applicants' invention differs significantly and in an unobvious fashion from the prior art of record and any combination thereof.

Application. No.10/620,876  
Amendment dated December 14, 2007  
Reply to Office Action of July 19, 2007

It is believed that the claim, as set forth above, complies fully with the Examiner's comments and favorable action in the form of a Notice of Allowance is respectfully urged. Should the Examiner find that any matters remain for resolution, he is respectfully requested to contact the undersigned by telephone at (206) 342-6228.

*Respectfully submitted,*

*Merchant & Gould*

A handwritten signature in black ink, appearing to read "David L. Garrison". The signature is fluid and cursive, with the first name "David" being the most prominent.

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